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ON
COMMERCIAL UNION
WITH THE
UNITED STATES
WITH A WORD ON
IMPERIAL RECIPROCITY.

A PAPER READ BY
ARCH. MCGOUN, JR.,
ADVOCATE,
BEFORE THE MONTREAL BRANCH OF THE
**IMPERIAL
FEDERATION LEAGUE IN
CANADA,**

JUNE, 1887.



5000. 1887. May

RESOLUTION
OF THE
MONTRÉAL BRANCH OF THE
IMPERIAL FEDERATION LEAGUE IN CANADA
at a meeting, 13th September, 1887.

Moved by EDGAR JUDGE, Esq., President of the Young Men's Reform Club, Montreal,

Seconded by ANDREW ROBERTSON, Esq., Chairman of the Board of Harbour Commissioners, and unanimously

Resolved—“That this meeting declares its opposition to Commercial Union with the United States, both as tending to discriminate against the other countries of the British Empire and all other foreign countries, none of which discriminate in their tariffs against Canada, and many of which, being naturally adapted for the production of articles different from those of this country, offer greater inducements for profitable interchange of commodities, than a country whose products are largely similar to those of Canada; also as derogatory to the national autonomy of this country whether on a portion of the British Empire or as a separate and distinct nationality.”

It was also resolved, on motion of MR. ROBERTSON, to cause MR. ARCH. McGOUN, JR.'s paper on the subject to be published in pamphlet form, and to have a meeting called for further discussion after the publication.

On Commercial Union with the United States

With a word on Imperial Reciprocity.

The proposal to abolish all duties on trade between the United States and Canada being now advocated by certain newspapers in the West, and the attention of the farmers of Canada having been specially directed to its consideration, I purpose to attempt a discussion of the merits of such a policy on its purely economical or business side, leaving political considerations out of sight, and looking at it chiefly from the farmer's standpoint. By commercial union is meant the abolition of the custom houses all along the boundary line, the adoption of a common tariff at the seaboard as against all other countries in and out of the British Empire, the pooling of the customs receipts there collected, and their division between the two countries, on the basis of population, or such other basis as may be agreed upon, and finally, the imposition of such direct or other internal taxation as may be necessary to make up the deficiency in the revenue of the two countries, or of either of them. The question has therefore to be regarded both with respect to its effect upon the revenue of our country, with the methods by which the loss is to be replaced, and to its effect upon trade and farming interests. The former of these I shall touch upon only incidentally, remarking here merely that we now collect from six and a half to seven million dollars a year revenue on imports from the United States, and this would have to be made up by other taxes. The custom houses along the frontier would be replaced by tax-gatherers dispersed throughout the Dominion. But I shall take up more in detail the purely business aspect of the question, the effect a commercial union would have on the trade of Canada.

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First then let us see what the position is to-day. The extent of Canada's trade with other countries is as follows:—

The aggregate import and export trade during the period from 1873 to 1885 was \$2,477,000,000. Out of this, the trade with the United Kingdom was.....\$1,171,000,000 ; With the United States it was \$1,066,000,000 ; And with other countries..... 340,000,000 ; With countries other than the United States it was _____ therefore..... \$1,511,000,000.

It thus appears that our trade is divided very largely between the United Kingdom and the United States,—the former being somewhat greater than the latter,—and adding other countries to the Mother Country it is, compared with the United States, as three to two.

As a gauge of the value to our farmers of the various markets, we take for the same period the amount of our exports. These were \$1,131,000,000, of which we sent to the United Kingdom \$564,000,000, to the United States \$455,000,000, and to other countries \$112,000,000,— being \$676,000,000 to countries other than the United States. As a market for our exports, therefore, the United Kingdom takes about 50 per cent., the United States about 40 per cent., and other countries less than 10 per cent.

As, however, we can go more into detail with a single year, I shall take the amounts for the last year of which I have the returns, viz., 1885. In that year our total exports, as returned, exclusive of coin and bullion, were \$84,263,000. Of this amount we sent to the

United Kingdom	\$41,871,000
To other parts of the British Empire	3,912,000
Total to the British Empire	\$45,783,000
To the United States.....	\$34,783,000
To other Foreign Countries	3,703,000
Total to Foreign Countries	\$38,486,000
Total to Countries other than the United States.....	\$49,486,000

The following are the figures for the same year, including coin and bullion, and estimated short returns:—

Total Exports, 1885.....	\$89,238,000
To the United Kingdom....\$41,877,000	To the United States \$39,752,000
To Other British Countries.. 3,912,000	To Other Foreign Countries.. 3,703,000
To the British Empire.... \$45,789,000	To Foreign Countries \$43,455,000
To Countries other than the United States ...	49,492,000

The percentages of the latter table are :—

United Kingdom	46.9 per cent.
Other British Countries.....	4.4
Total British Empire	51.3
United States	44.5
Other Foreign Countries.....	4.2
Foreign Countries	48.7
Countries other than the United States.....	55.5

In the same year the Imports into Canada were :—

Total,..... \$102,710,000.

From the United Kingdom.....	\$41,407,000 = 40.3%
" other British Countries.....	2,424,000 = 2.4%
" the British Empire.....	43,831,000 = 42.7%
" the United States.....	47,151,000 = 45.9%
" other Foreign Countries.....	11,727,000 = 11.4%
" Foreign Countries	58,878,000 = 57.3%
" Countries other than the United States.....	55,558,000 = 54.1%

Adding imports and exports, the aggregate trade in the same year, 1885, was with all countries \$191,948,000.

With the United Kingdom	\$83,284,000 = 43.4%
" other British Countries.....	6,336,000 = 3.3%
" the British Empire.....	89,620,000 = 46.7%
" the United States.....	86,903,000 = 45.2%
" other Foreign Countries	15,430,000 = 8.1%
" all Foreign Countries	102,333,000 = 53.3%
" Countries other than the United States.....	105,050,000 = 54.8%

This, then, is how matters stand while all countries are on the same footing.

Generally speaking, it may be said that our trade with the United Kingdom and the United States is about equal, our trade with the whole of the British Empire exceeds our trade with the United States, and our trade with all other countries together exceeds our trade with the United States by a very considerable amount. Of course, there is now no discrimination in tariff. Whatever duties are imposed on any article imported from one country are likewise imposed on the same article imported from any country. It so happens, indeed, that a large proportion of our imports from the United States consist of raw products intended for manufacture or re-export, much of which is free of duty, and much also subject to only small duties. Therefore our tariff against the United States is, on an average, really lower than against most other countries, and the same is true of the United States tariff against Canada.

THE TARIFF NOW EXISTING BETWEEN THE UNITED STATES AND CANADA.

We come now to examine what the duties now existing between the two countries are. It appears from the United States Tables of Commerce for the year I have taken as my basis, 1885, that their average rate of duty on imports from all countries is :

(p. 661).

If calculated on dutiable articles alone.....	45.86%
If calculated on free and dutiable articles.....	30.59%

The corresponding figures for Canada are :

Average rate on dutiable alone.....	26.09%
Average rate on free and dutiable.....	18.61%

These, however, are not the rates on trade between the two countries. The Canadian trade tables give the total amount of duties collected on imports from each country, and from these we find (p. 545) that our imports from the United States in 1885 were :

Dutiable.....	\$31,231,000
Free.....	<u>15,919,000</u>
Total.....	\$47,151,000

Duties collected.....	6,624,100
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This gives a rate of 21.21% on dutiable alone, and 14.05% on all imports.

There are no corresponding figures given in the United States tables, and, on writing to Washington, I find there are no such tables prepared. I have, therefore, been obliged to do the work myself : taking from one table (pp. 60 to 107) the total amounts of each article imported from Canada ; from another table (pp. 586 to 661) the *ad valorem* equivalent of the total duty levied ; then extending the amounts to find the total duties paid on each article ; finally adding the total imports and the total amounts collected in duties and calculating the rate of duty.

There are first, eggs, fish, etc., amounting to \$12,642,000 admitted free of duty.

Then to give a few of the largest items among dutiable articles :

Article.	Value.	Rate of Duty.		
		Specific.	Ad val.	Amt. of Duties.
Boards.....	\$6,802,520.....	\$1 per M feet = 11.29%.....	\$ 768,005	
Barley.....	6,520,827. ....	.10c per bush. = 15.65%.....	1,020,380	
Hay.....	1,517,483.	\$.2 per ton. = 21.20%.....	321,706	
Horses.....	1,251,963. ....	..... = 20. %.....	250,400	
Horned Cattle.....	996,341. ....	..... = 20. %.....	199,200	
Coal (Brit. Col.)...	1,074,029. ....	.75c per ton. = 22.62%.....	242,945	
	\$18,163,163			\$2,802,636

The average on these is 15.43%.

The following are the results on the whole import trade from Canada :

United States imports from Canada, 1885—	
(p. 106.) Dutiable.....	\$24,053,000
Free.....	<u>12,642,000</u>
Total	\$36,695,000
Duty collected.....	4,656,600

Which gives a rate on dutiable alone of 19.36%, on free and dutiable 12.69%.

In order to arrive at the average rate of duty on the whole trade between the United States and Canada, I shall take the imports into the United States from the American returns, and the imports into Canada from the Canadian returns, with the duties collected as given above, and the result is :

Total trade between the two countries—	
Dutiable.....	\$55,284,000
Free.....	<u>28,561,000</u>
Total	\$83,845,000
Duties collected	11,280,700

Being a rate on dutiable articles alone of 20.42%, on free and dutiable, that is on the whole trade, of 13.45%.

This is the amount of duties that would be repealed by the institution of Commercial Union with the United States. There is, of course, inconvenience and vexation besides, but that is the vexation of paying taxes. And if farmers have to pay these duties, they save the amount in other taxes. The money has to be raised to carry on the government, and I do not know whether a farmer would rather pay the amount in this way or by a tax upon his house or farm.

COST OF COLLECTION.

It is, however, worth considering whether the cost of collecting is greater under a system of custom houses than under another system.

The only thing I can compare with it is the cost of collecting Inland Revenue. In the year 1885 the amount of duties collected (Public Accounts, Canada, p. xxiii) was : Customs \$18,935,000, on which the cost of collections was \$791,537, or 42 cents per \$100; Excise \$6,449,000 on which the cost of collection was \$309,268, or 48 cents per \$100.

But, as it might be supposed that this low cost of collection resulted from the principal amounts being paid at the sea-board, I shall give the figures for Ontario, Manitoba and British Columbia, in the

first of which more than half and in the other two the great bulk of dutiable imports were from the United States, viz. :

Ontario.....	\$15,802,000, out of \$28,966,000
Manitoba.....	1,524,000, " 2,145,000
British Columbia.....	2,152,000, " 3,458,000

In these provinces the costs of collection were :

Pages	CUSTOMS.			
8 and 353	Ontario.....	amount \$6,556,000, cost	\$253,189.....	.38%
354	Manitoba.....	" 571,000, "	38,911.....	.68%
	British Columbia...	" 969,000, "	30,733.....	.32%
INLAND REVENUE.				
12 and 356	Ontario.....	" 3,660,000, "	145,495 .....	.40%
	Manitoba	" 147,000, "	14,902.....	1.02%
	British Columbia...	" 62,000, "	5,658.....	9.13%

Now, as I do not imagine that the people of this country think they should be exempt from taxation, they are perhaps as well satisfied to pay these taxes by duties, even on imports from the United States, as by internal taxes. It may be stated generally that customs duties, so far as mere cost of collection is concerned, is a more economical system than other systems of indirect taxation, though on grounds to be stated later on I do not defend it as superior to direct taxation, beyond saying that if applied at all, it ought to be applied to all nations from which we import.

Under Commercial Union there would certainly be increased inland taxes to replace the revenue lost. The United States, owing to their restrictive tariff, have now to raise an enormous amount by internal taxation. In 1884 the amounts were :

Customs,.....	191 Million Dollars
Internal Revenue.	121 " "

on which the costs of collection were :

Customs,.....	\$6,500,000....or 3 $\frac{1}{3}$ %
Internal Revenue.....	5,113,000....or 4 $\frac{1}{4}$ %

which, as will be noticed, is very much greater than, nearly ten times as great as, cost of collection in Canada.

The farmers then have to decide whether they prefer taxation upon their trade with the United States at the average rate of 13.45% or to pay an equivalent amount to be raised by direct taxation or some other system of inland revenue.

I am not, of course, discussing the relative advantages of direct and indirect taxation. A tax upon trade is a restriction on a man's enjoyment of a natural right. But a tax on a man's house or farm is an

interference with a man's enjoyment of property. All of us would be glad to be rid of taxes, and the whole question is one of the best mode of raising revenue by the government.

The boon that is to be gained from our entering a Commercial Union is the repeal of 13.45 per cent. duties on trade between Canada and the United States. What is the price we are asked to pay for it? It is an increased rate of duty upon our imports from every other country in the world, including the different countries of the British Empire. What would the increase be if we adopted the United States tariff? Their rate of duty as against all countries is, as we have seen: On dutiable articles alone 45.86%, on all imports 30.59%. The Canadian rate is, on dutiable 26.09%, on all imports 18.61%. Taking the rate on all goods it would be an advance all round of about 12 per cent. on our trade with all the rest of the world.

COMPARISON OF ARTICLES COMPOSING TRADE WITH VARIOUS COUNTRIES.

To determine whether it would be an advantage to impose this additional burden on all our other trade, we should consider which is the more valuable trade, and which gives promise of the greater degree of development. We have seen that the volume of our trade with other countries, taking both imports and exports, was, in 1885, \$105,000,000 with other countries against \$86,900,000 with the United States. Therefore, in mere volume our trade with other countries seems the more valuable. This difference would also be accentuated if it were not that our duties against the United States, being largely of raw products to be manufactured or for re-export, as already stated, are considerably lower than the duties on imports from other countries. So that whatever incidental discrimination there is tells in favour of the United States. It must be pointed out, however, that there is no discrimination in principle. The difference in rate results solely from the accidental circumstance that the imports from the United States are largely of a class of raw products for manufacture or re-export, which are admitted free of duty. But still what difference there is tells on the volume of trade; only for this the proportion would be still greater in favour of our own Empire and the rest of the world.

What we have to consider is whether our trade with the United States is in itself of a nature to be more profitable than trade with other countries. This leads us to make a careful examination of the

articles of which this trade consists. My researches enable me to go fully into this question, only as to the trade with the United Kingdom and the United States, though I can also give a few leading facts regarding trade with other parts of the British Empire.

As already stated, our aggregate trade from 1873 to 1885 with the United Kingdom was \$1,171,000,000, with the United States \$1,066,000,000. Our exports to the United Kingdom were \$564,000,000, to the United States \$455,000,000. What is the reason that our trade with the Mother Country remains as great as or greater than trade with our neighbors? The former has to come over 3,000 miles by sea and a long distance by rail, and has to overcome a slightly larger rate of duty than the latter, which has in most cases merely to cross the border. There must be some substantial reason to compensate for contiguity of markets. The reason will, I think, be found to be

DISSIMILARITY OF PRODUCTS.

Trade with the United States is largely in articles they produce in common with ourselves. Trade with the United Kingdom is more largely in articles that both do not produce, or do not produce to advantage. It is this feature that makes countries commercially complementary to one another, not mere geographical position. I do not wish to underestimate the value of nearness of markets as tending to facilitate exchange; but that it is not an essential to a high degree of solid and rapid development is evidenced by the condition of the Australian colonies, which, though 10,000 miles from their chief outside market, present the most marvellous instance of growth shown by any communities the world has ever seen. Dissimilarity of products seems a more powerful element in determining the channel of trade than proximity of markets.

There is only one important class of articles to which this does not apply, namely, perishable goods, such as fresh eggs, vegetables, fish, ripe fruit, etc. These should, for the advantage of both countries, be made duty free, and, as a matter of fact, they largely are so. One of the largest articles of export by Canada to the United States is eggs, of which, in 1885, we sent them \$1,826,000 worth, and they are admitted free of duty. For perishable goods we must look for a market near at hand, and therefore we must depend either upon our own country or our neighbours. For this class of produce, of course, the best market will be the cities and towns of our own Dominion;

each of these is the centre of a thriving district of market gardening, which is a valuable industry to the country. The greater our population, of course, the larger will be the number of such centres, the greater the prosperity of a certain class in our farming community. But the cultivation of such perishable products cannot sustain more than a small fraction of our population, and for farmers staples, for wheat, flour, oats, oatmeal, butter, cheese, cattle, sheep, preserved meats, anything that can be transported without injury, the best market will be one in which there is a scarcity of these things, the market in which they are to be consumed, not that from which they are to be re-exported to the country of ultimate consumption. When a farmer has grain to sell he does not sell it to the farmer on the next land, even though he be a rich man with a large farm, he takes it to the miller, the produce merchant or the baker. It is the same with nations. The United States and Canada may both be regarded as farmers while Liverpool is the baker's shop, where both have to sell. I imagine it is better for Canadians to sell to Liverpool direct than to sell in New York and let the American shipper get the profit out of the Liverpool trade.

Before entering upon this comparison I must say a word regarding certain articles that now are, or that until recently have been, admitted to the United States free of duty, for the export of which, therefore, Commercial Union would give us no market that we have not already. Eggs I have already mentioned, but no article on commercial relations with the United States would be complete without a reference to our fisheries. Fish were still, in 1885, admitted free of duty to the United States. Not that that was our only market; for we exported that year \$7,960,000 of fish, of which \$3,560,000 went to the United States and \$4,400,000 to other places, chiefly to the United Kingdom and the British, French and Spanish West Indies. The United States also re-exported \$863,000 of cod and mackerel, etc., principally to the same markets.

But this may be taken as a cardinal point in our policy on the fishery question: that admission of American fishermen to our fisheries is worth far more than access to the American markets for our fish. The Americans themselves know this very well. They would be only too glad to get us to consent to granting them the use of our fisheries without asking any other return than free trade in fish. But for us to consent to that would be to give up one of our most effective levers

to induce them to grant reciprocity in other articles of common produce. We know that the value set by the Halifax commission upon the use of our fisheries for twelve years, under the treaty of Washington, was \$5,500,000, in addition to free admission to the American markets for our fish. And therefore, although, in order to give time for a commission to examine the question, we might be willing to consent to a temporary arrangement, such as that suggested by Lord Salisbury with the approval of our government, under which Americans were to be allowed to enter our fisheries in return for free admission of fish alone, we certainly would not consent to that otherwise than temporarily. Our fisheries are of immense value, and to have the use of these Americans must be prepared either to pay a good round sum annually for the privilege, or else to grant us reciprocal trade in other things besides fish ; and this under a treaty similar in principle to the last Reciprocity treaty, which shall not require us to discriminate against the rest of our Empire, and which shall leave us free to regulate our tariff otherwise as we see fit. Otherwise we shall keep our fisheries for our own fishermen, and make the Americans buy their fish from these, and pay their own duties on importing them.

It may therefore be taken for granted that in any arrangement that is made, fish must be admitted free to the American market, the only question that will arise being how much more indemnity they will have to pay Canada for the use of the fisheries. In this respect, therefore the returns of 1885, in which fish are on the free list, are as useful as any others for arriving at conclusions which shall be of general application.

TRADE WITH UNITED STATES.

I shall now give a series of tables, showing all the principal articles now exported by Canada to the United States, taking from the trade tables for 1885 all articles entered therein in which exports to the United States amounted to \$100,000 and over. The first list is of articles admitted to the United States free of duty.

TABLE I.

Principal Free Exports 1885, Canada to United States, (Canadian returns).

Fish : Cod, etc., dry salted.....	641,000
Mackerel, pickled.....	625,000
Herring “	290,000
“ smoked.....	133,000
Lobsters, canned	712,000

Fish: Salmon, fresh	\$ 223,000
Fresh, N.E.S	447,000
Eggs	1,826,000
Gold Quartz, (British Columbia)	999,000
Hides, skins, furs.	459,000
Bark for tanning	364,000
Firewood	316,000
Furs (undressed)	185,000
Logs	143,000
Railway Sleepers	142,000
	<hr/>
	\$7,505,000

Total Free Imports from Canada,
(U. S. returns), \$12,642,000.

In this class of goods, bearing in mind the position assumed as above with regard to fish, it is evident that no increased market in the United States would be gained by Commercial Union with that country. It is true return cargoes would be free from duty; but only at the expense of increased inland taxes and higher duties on imports from every other market.

The second class consists of goods which are imported by the United States, either to be re-exported, or else, being imported in one place, and an equivalent amount of the same articles exported in another, serve merely to replace goods which are the produce of the United States themselves.

TABLE II.

Principal Exports Canada to the United States 1885, of articles of which the United States Export exceeds their Import from Canada.

ARTICLES.	Canada's Export to U. S.	U. S. Export.
Coal bituminous (from B. C.)	1,178,000	1,989,000
Copper ore	245,000	4,730,000
Iron "	122,000	12,801,000
Horned cattle	1,411,000	12,906,000
Hides, horns and skins	450,000	4,150,000
Peas and beans	484,000	522,000
Wheat	268,000	72,933,000
Rye	151,000	2,000,000
Potatoes	108,000	265,000
Wood Staves and headings	312,000	1,950,000
Other lumber	184,000	1,182,000
Household furniture	147,000	2,128,000
Other wood manufactures	221,000	1,590,000
	<hr/>	<hr/>
	\$5,300,000	\$119,248,000

deduct

591

18044

4,709,000

102,204,000

For a great deal of this Canada could open up a direct trade with the country of ultimate consumption and derive perhaps as great or greater trade profits than by sending the goods to the United States to be dealt with by American dealers. I may specially direct attention to the magnitude of the export by the United States of copper ore ~~and iron ore~~, as Mr. Wiman, in his perambulations, pictures the enormous market that country would be for these products under a Commercial Union.

The third class of exports is of those for the greater part of which the United States is the ultimate consuming market; the class, therefore, to be compared with the list that will be given of our export to other countries.

TABLE III.

*Principal Exports, Canada to the United States, 1885, of which the latter retain the whole or a great part.**
(Last three figures omitted.)

Articles.	U. S. Imports from Canada.	Total U.S. Import.	U.S. Export.	U.S. net Consump'n
	Canadian Returns.	American Returns.		
Wood : Planks	\$6,956	\$6,805	\$6,814	\$6,570
Laths, palings, etc.	220 .....	.....	.....	48
Shingles	133	157	157	132
Barley	5,477	6,521	6,522	346
Hay	1,181	1,517	1,518	204
Malt	280	267	267 .....	.....
Horses	1,524	1,251	1,371	377
Sheep	773	857	860	512
Wool	186	200	3,000	88
<i>Iron ore</i>	<i>182</i>	<i>174</i>	<i>923</i>	<i>3</i>
	<i>\$16,730</i>	<i>\$17,575</i>	<i>\$20,509</i>	<i>\$8,277</i>
	<i>862</i>	<i>749</i>	<i>3</i>	<i>940</i>

Resumé of Dutiable Imports to United States : *21462* *8290* *3393*

Table II	\$ 5,300,000, Canadian Returns.	<i>4709000</i>
Table III	17,575,000, American	<i>17349000</i>
Together	\$22,875,000	<i>22458000</i>

Total Dutiable Imports from Canada, \$24,053,000, American Returns.

* The figures in the first column of this, Table III, are taken, as those of our exports in the other two tables, from the Canadian returns, the other columns are from the American returns. The second column is given for comparison with the first, and because in a few cases the U. S. total import would have appeared as less than the import from Canada. The two columns show, however, no greater discrepancy than might have been expected, as the exports from Canada are not immediately entered for consumption, and therefore may not appear in the American returns for the same year. The closeness of their correspondence serves to show that the classification is practically the same, and the returns tolerably accurate.

Of these articles in Table III it appears that the United States are the ultimate consuming market for about half of what they import from us, the difference being either re-exported or serving to replace exports in the same way as the articles mentioned in Table II. For these, as was remarked of the latter, it would be at least possible for us to open up direct trade with the countries to which they are exported, although naturally a good deal of such trade might be less advantageously done, as the place of import might be at a considerable distance both from the place of United States production and from the place of export.

The third column shows to what extent we already have, notwithstanding the duties existing, control of this branch of the United States trade, and the extent to which such trade can be expanded without diminishing the market of United States producers themselves. This margin for expansion, it will be seen, is not large, since we already supply \$17,575,000 out of their total import of \$20,509,000, being 85.7 per cent. This is a point of considerable importance when we come to compare this trade with our trade with other countries, and illustrates the difference between trade with a country whose products are similar to our own, and with countries whose products are essentially dissimilar.

TRADE WITH UNITED KINGDOM.

I will now give similar information with respect to our trade with the United Kingdom, taking in the same way, from the tables of 1885, all articles of which our export exceeded \$100,000 apiece. To correspond with the third column in Table III above, I add in a separate column the total import by the United Kingdom of the articles in question.

TABLE IV.

Principal Exports, Canada to the United Kingdom, 1885, with total imports into the United Kingdom of the same articles.

(Last three figures omitted. £, stg., multiplied by 5 to give amount in \$.)

Animals and Produce :	U. K. Import from Canada.	Total U. K. Import.
Horned Cattle.....	\$5,752	\$46,660
Sheep.....	456	12,590
Butter.....	1,212	58,860
Cheese.....	8,176	24,450
Furs.....	1,426	5,020
Hides and Skins.....	137	19,010
Meat: bacon.....	628	14,470
	— \$17,787	— \$181,060

Agricultural Produce :

Fruit : Green Apples	\$ 537	\$ 2,760
Grain : Oats	703	Other
" Peas	1,713	Grains: 116,645
" Wheat	1,681	157,270
" " Flour	381	61,720
" Oatmeal	241	2,470
	5,256	340,865

The Forest :

Deals : Pine	2,679	Wood :
" Spruce and other	2,684	Hewn, 28,070
Deal ends	249	Sawn, 52,050
Planks, Boards, etc	251	
Timber : Elm	257	
" Oak	552	
" Pine, red	101	
" White	1,984	
	8,757	80,120

The Fisheries :

Lobsters, canned	903	Fish, 11,505
Salmon	423	
	1,326	11,505

The Mine :

Phosphates	328	328
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Manufactures :

Extract Hemlock Bark	137	
Leather, Sole and Upper	403	1,230
Musical Instruments : Organs	116	Mus.Ins. 4,395
Wood, other manufactures	199	House
Other wood work		Frames, 1,270
	855	2,905
	\$34,309	9,800
		\$623,350

Total Export to United Kingdom in 1885

\$ 41,871,000

Above enumerated

34,309,000

Total Import by U. K. of articles above enumerated

623,350,000

It is not quite possible to compare all the items, as the headings in the English returns are, in some cases, more general than our own, and I have not been able to obtain the more minute classifications for 1885. In order to check the above, to guard against any misapprehension on such items, and to give a more certain *aperçue* of our possible trade with the United Kingdom, I give three additional tables, in which the distinctions are more minutely drawn, of the articles we are in a position to supply the home market with. The first is a statement of the import of articles of food, in 1880, and I give in separate columns (1) the import from foreign countries, (2) the import from British countries, (3) the total import, (4) the total

export by the principal colonies and dependencies, of the same articles, in order to show the proportion which, without increased production, the colonies were in a position to supply in 1880, (5) the same for 1884.

TABLE V.

Import of certain Articles of Food into the United Kingdom, 1880.
(In £ sterling. Last three figures omitted.)

Articles.	From Foreign Countries	From British Countries	Total U. K. Import.	Total exports from 1880.	Total exports from 1884.
Animals—living :					
Oxen, bulls, cows and calves....	6,717	1,077	7,794	1,030	1,458
Sheep and lambs.	2,094	172	2,266	637	1,079
Meats : Bacon and Hams.....	10,853	133	10,986	185	169
Dairy Produce : Butter.....	11,561	580	12,141	1,526	1,951
Cheese....	4,325	767	5,092		
Eggs.....	2,183	52	2,235	154	402
Meats—Salted, fresh or preserved...	5,078	366	5,444	519	843
Corn, Grain and Flour : Wheat.....	24,409	6,213	30,622	6,844	13,196
Barley.....	4,958	53	5,011	1,166	1,196
Oats.....	4,527	408	4,935	555	407
Maize.....	10,193	970	11,163	540	562
Flour.....	8,085	621	8,706	1,806	1,605
Potatoes.....	2,419	428	2,847	192	278
	£97,402	£11,840	£109,242	£15,154	£23,146
	10.84%			13.87%	21.19%

Total United Kingdom import, £109,242,000 = \$546,210,000.

The next is a table of articles used as raw materials of manufactures, in which is given only the total import, the import from British countries, and the import from foreign countries.

TABLE VI.

Import into the United Kingdom, 1883, of certain Raw Materials, which are produced in Canada.

(In £ sterling. Last three figures omitted.)

Articles.	From Foreign Countries.	From British Countries.	Total U.K. Import.
Copper Ore.....	£ 618 *	£ 477	£1,095
Oil train and blubber	230	200	430
Skins and Furs : Sheep and Lambs	370	633	1,003
Seal	331	112	443
Wood: Hewn.....	3,958	1,657	5,615
Sawn.....	7,397	3,014	10,411
Staves.....	579	62	641
	£13,483	£6,155	£19,638

Total U. K. import, £19,360,000 = \$96,800,000

* The colonies included in these figures are : India, Cape of Good Hope, Canada, Barbadoes, New South Wales, Victoria, South Australia, Queensland, Tasmania and New Zealand.

* Iron ore

£ 1951 £ 5 £ 1957

Lastly there are articles, chiefly manufactures, of the following kinds :—

TABLE VII.

Import into the United Kingdom, 1883, of manufactured and other articles which can be produced in Canada.

(In £ sterling. Last three figures omitted.)

Articles.	Total Import.
Alkali.	£ 81
Hats and Bonnets: Straw	75
Horses	133
Leather	5,466
" Boots and Shoes	421
" unenumerated	247
Musical Instruments	879
Paper and Pasteboard	1,245
Paper-hangings	40
Skins and Furs	938
Wood: Furniture, etc	581
House Frames and Joiner Work	254
	—
	£10,360

Total U. K. import, £10,360,000 = \$51,800,000.

The United Kingdom, therefore, at the present time furnishes a market for

Articles of Food	£109,242,000	= \$546,210,000
Raw Materials	19,638,000	= 98,190,000
Manufactures, etc	10,360,000	= 51,800,000
	—	—
	£139,240,000	= \$696,200,000

As compared with the market for \$20,750,000 offered by the United States for goods now dutiable, of which her exports do not already exceed her imports. In preparing the above tables I have carefully selected, so far as it was possible to do so, only articles which are already produced, and are capable of being produced to a much larger extent, by the people, and chiefly by the farmers, of Canada.

TRADE WITH AUSTRALASIA.

Let us look now at some of the other markets of the Empire, and first Australasia. The several colonies of Australia and New Zealand at the present time import from foreign countries the following quantities (values) of articles that we can well supply them with :—

TABLE VIII.

Foreign Imports by the Colonies of Australasia of Articles that can be produced by Canada,—1885.

Articles.	Value.
Agricultural Implements : Mowers	\$131,000
Ploughs.....	6,000
Others.....	107,000
Books and Maps .. .	124,000
Carriages and Parts.....	388,000
Clocks	114,000
Fish : Salmon, canned .. .	388,000
Iron : Sewing Machines.....	129,000
Locomotive Engines.....	140,000
Leather: Finished, upper	147,000
Patent	49,000
Musical Instruments : Organs .. .	138,000
Oil : Seal.....	51,000
Provisions: Beef, canned.....	12,000
Soap	59,000
Wood : lumber.....	840,000
"	43,000
Household Furniture.....	361,000
Woodenware	68,000
Other Wood Manufactures.....	192,000
	<hr/>
	\$3,482,000

Canada could import in return from Australasia copper, tin, lead, Kauri wood and gum, pearls, certain kinds of leather, hides, cordage, tallow, fruit (green), sugar, jams and preserves, preserved meats, coffee, wines, wool, and certain woollen goods.

BRITISH WEST INDIES.

Among the articles we could send to the West Indian Colonies, I may mention several of their most important imports, such as cattle, Indian corn, bread and biscuit, oats, wheat flour, meal, fish, certain cotton manufactures, fish and salted beef, salted pork, butter, cheese, soap, refined sugar, wood, lumber, shooks, staves, headings and household furniture.

We could receive from them in return, asphalt, drugs, cocoa, cocoanut, coffee, bananas, India rubber, hardwoods, oranges, preserved fruits, wool, spirits, sponges, molasses, sugar.

BRITISH HONDURAS.

Belize imports large quantities of fish and wheat-flour; and exports mahogany and hardwoods, drugs, sugar, bananas, cocoanuts, India rubber.

BRITISH GUIANA

could import from us wheat-flour, fish, salt beef, cheese, soap, wood, lumber, shooks, staves, headings, and illuminating oil, and could send us drugs and sugar.

HONG KONG

imports large quantities of wheat-flour, fish, also certain illuminating and other oils, and could send us gums, drugs, spices and tea, silks and sugar.

THE EAST INDIES

import largely of uncolored cotton, such as we manufacture, and illuminating oils ; and sends us a great variety of produce, among which I may mention, dye woods, kutch, shellac, indigo and other drugs, coffee, kauri, rice, goat skins, india rubber, fixed and expressed oils, plumbago, volatile oils, spices, nutmegs, pepper, tea, tin, teak wood.

BRITISH AFRICA

imports largely of the following articles produced to a great advantage in Canada : agricultural implements, illuminating oil, canned beef, lard, soap ; wood : lumber, shooks, staves, headings, household furniture and other woodware and manufactures. They already send us unmanufactured wool and sugar, and also dye woods, drugs, goat skins, spices, sugar, and ostrich and other feathers.

In trade with all these countries we derive certain advantages, or, at least, preferences, from being under a common flag, and others require only to be opened up by lines of steamships to spring into vigorous life. The same process might be gone through with regard to our trade with France, Belgium, Holland, Germany and many other foreign countries.

Is it then wise policy for this country, for the sake of cultivating trade with the United States, to create greater restrictions and trammels upon trade of such magnitude as can grow out of our relations with all other countries ? That is one of the effects that would certainly be produced by commercial union with the United States. The lower our tariff is on imports from all these countries, the greater possibility of development of the trade. So long as we keep our duties lower than the tariff of the United States, so long have we an advantage over them to that extent in such trade. If we increase our duties against these countries to the extent of 12 per cent. our independent trade with all of them must seriously suffer.

We may put it thus : We export every year to countries other than the United States about \$50,000,000 of goods. On the imports which we receive in exchange we pay 18.61 per cent. duties, say \$9,300,000. This leaves, neglecting other charges, \$40,700,000 to be divided among the producers in Canada. If we advance our rate of duty, and adopt the United States tariff of 30.59 per cent., this takes off \$15,300,000 from the price we receive, leaving only \$34,700,000 to be divided among our people, being a minimum loss every year of \$6,000,000 on our trade with our own Empire and foreign countries other than the United States.

But what if the United States would consent to lower their tariff six per cent. on condition of our increasing ours six per cent? Or even suppose, though it is an unlikely supposition, the United States would lower their tariff to the rate of the Canadian, and that a uniform system of excise and internal taxation were agreed upon? Even in such case, Canada would not be justified in entering upon a Commercial Union. Many of the reasons in that case would certainly be more or less political, since it would be renouncing control of the sources of our national revenue ; and it is difficult to conceive of the management in common of these, without, at least, periodical representation of Canada in the United States Congress. Moreover, it would be a violation of the principle of international law in commercial treaties that the duties on the same articles imported from all foreign nations must be the same ; and it would be incompatible with our position as a part of the British Empire to discriminate against the other countries composing it, by levying duties, however small, against them, while we admitted goods from a foreign nation free.

But even in that case there is an economical objection also : namely, that Canada would lose the advantage she now has, by reason of her relatively lower tariff, in her trade relations with all other countries ; and would be prevented from entering upon commercial treaties with every other country, unless it was agreeable to the people of the United States. If the United States did lower their tariff, Canada's true policy would be to preserve her advantage by lowering hers still further, and to make it approach as near as possible to free trade with all countries.

Of course all this demonstrates not only the evil of burdening trade with other countries for the benefit of the United States, but the

disadvantages of high or protective duties generally. I believe it is clearly the interest of the farmers, except perhaps those in the immediate neighbourhood of manufacturing towns or cities, to protest against the high and increasing duties that have recently been imposed in Canada, every increase of one per cent. being a direct injury to the trade and shipping of the country and to the farmers who are the backbone of its prosperity. It is possible there may be certain partial compensation if industries are established which, once established, shall be self-supporting ; but for such of them as are really well adapted to the country, a low rate of duty should suffice to give them all the protection they need. Industries that will require perpetual protection would be much better closed up. I therefore approve of the stand taken by one of the leading members of our House of Commons who declared that although he had supported the National Policy from its inception and so long as the degree of protection granted was moderate, he protested against the late increase of duties as an injustice to the farming community. Indeed, I am a believer in free trade and direct taxation, and hope some day to see absolute free trade between the British Empire and the United States and all other nations, and the honest, straightforward system of payment by the people to the government of the taxes necessary to carry on its work. But if the United States will not enter into that arrangement, then I believe the best policy for Canada to adopt will be the nearest approach to free trade with the rest of the British Empire ; in which case this country would become the emporium of a vast trade even with the people of the United States, who would buy from us a great deal of what they could get here as cheap as they could import it direct from the country of its production. In order to build up such a trade we should have the lowest possible duties. But if the country is not ready to pay their taxes by direct taxation and prefer to do so by customs duties, then it is clearly the best policy for the farmers to support a purely revenue tariff. Only it must be a tariff against all countries alike, for it would be wiser to support the most advanced protectionist, as things are at present, than to sacrifice the advantage we have over the United States in a lower rate of import duty, to sacrifice also our present and prospective trade with the several countries of our Empire and with other foreign countries in order to build up industries of the United States alone. It would be a distinctly retrograde step, if the Liberal party of Canada were to abandon their

high principled policy of tariff for revenue only, and the nearest approach to free trade possible, but treating all countries alike, and to adopt instead a policy of special favours towards a country that maintains a high protective tariff even against our own Empire, a policy that would force us to abandon one of the most important of our national attributes.

SHIPPING AND RAILWAYS.

To return, however, to the subject immediately before us, another effect of adopting Commercial Union with the United States would be to injure our shipping. To buy from our Southern neighbours instead of importing for ourselves would be to build up inland traffic, especially of lines of railway running north and south at the expense of our shipping with other countries, and of our own great lines of railway running east and west. To speak of shipping first, if we choose to buy from the United States what we now import direct from England, the West Indies and South Africa, and what we hope soon to bring from Australia and Hong Kong, our shipping interests with all these places must decline. It is true we may continue to send our surplus produce, wheat and other grain, cattle, sheep and lumber, to England and elsewhere ; but if we refuse to spend the money due us there, and bring it back to spend in the United States, we shall not only get less value for it there, but our ships will come back with smaller cargoes, and will either be ruined or will have to charge higher freights on the cargo one way, to pay the expense of the voyage both ways. Accidental circumstances may sometimes prevent this from becoming apparent at once ; but it is selfevident that shipping cannot be permanently carried on at a loss, and the owners of our steamships, their masters and sailors, will inevitably suffer if we persist in a policy of hampering importation from beyond seas. More will then be charged for what freight we send away and the difference will come out of the pockets of the farmers and the producers. The United States protective policy has had the effect of largely destroying their mercantile marine. Commercial Union would tend to destroy ours also. We have now a high rank among the shipowning countries of the world, and we should be careful not to lower it.

But not shipping only, our Canadian sea-ports also would suffer. Trade would be driven from them to New York which tends more and

more to become the sole sea-port of importance in the United States. Montreal, St. John and Halifax, would suffer the fate of Portland (Maine), Salem (Massachusetts), and other towns on the coast, which were at one time the centres of important shipping interests, but are now deserted except for small fishing and coasting craft ; and that not because of natural disadvantages, for there are no finer ports in the United States, but solely through the excessive duties on imports and the spirit of monopoly and concentration of railway, forwarding and shipping interests in one direction ending in New York. In the same way Vancouver would be checked in her effort to become a grand Pacific terminus, and her general traffic would be diverted to San Francisco. If, therefore, Canada takes any interest in maintaining a national highway of her own, she will reject a policy that would divert all her traffic into United States channels. The same fate might befall the border towns. Some of the leading merchants who took part in the discussion of this question before the Toronto Board of Trade expressed the conviction that Toronto would cease to be an important distributing centre, and that her trade would be diverted to Buffalo, Detroit and Chicago.

The injury would also be severely felt by our two great lines of railway. This country has spent a vast amount of money in establishing two great national highways, the Grand Trunk and the Canadian Pacific. The one stretches from Sarnia to Quebec in summer, and, at present, to Portland in winter, traversing one of the finest districts in the continent. Its trade and power depends largely upon the prosperity and solidity of our Canadian towns, especially Montreal and Toronto, and upon these retaining the control of the distributing trade for Canada. The back-bone of the Grand Trunk is Canadian, and it is its position of solidity here that enables it to tap the western trade at Chicago, and bring some share of it by the St. Lawrence route, where return cargoes entered at lower duties than those levied in New York can be obtained. Assimilate the tariffs at the Canadian and American seaboard, and you remove the centre of the whole North American continent to New York,

Our other great railway extends from Vancouver to Quebec in summer, and to Halifax, St. John or, perhaps, a port in Cape Breton, in winter, or, as has been poetically remarked, from Hong Kong or Yokohama to Liverpool. The realization of the latter conception would be destroyed by Commercial Union with the United States.

By placing greater restrictions on our trade with Australia, with Hong Kong and Yokohama, we should destroy or greatly impair the chance of the successful establishment of the lines of steamships we hope soon to see from the Canadian port on the Pacific to Australia, New Zealand, the Sandwich Islands, China and Japan, which give promise of opening up a trade of great value to our farmers. Instead of increasing our duties twelve per cent. against Australia and those other countries, we should rather try to make arrangements by which our duties on imports from them should be repealed or diminished, as we might then open up a market, still dissimilar to our own, capable of unlimited development and of incalculable value.

A word must be added upon the graphic picture drawn by Mr. Erastus Wiman of the prosperity promised to our farmers as the certain result of Commercial Union. It is always an easy matter to descant upon the benefits that would flow from abolishing taxes. The advocacy of such a cause always ensures a certain amount of popularity. And if we could get the markets of the United States to sell in, without altering in any way either our more valuable trade with other countries, or the amount of internal taxes we should have to pay, and without discriminating in tariff in favour of one foreign nation and against our own Empire and other foreign nations, we should be great fools not to take it. And Mr. Wiman, as a wily speculator, takes care not to dwell on that feature of the case. This point, however, I think has been sufficiently discussed. But I think it is worth while to tear the mask off the picture he has drawn of the results that would accompany his policy. Sam Slick's Airthly Paradise, or Martin Chuzzleworth's Eden are almost tame by the side of Erastus' fancy picture. I do not believe that the well-being and prosperity of the farmers of the United States generally are greater than of our own. In some specially rich and fertile districts or in the immediate neighbourhood of large and populous cities what he says may be to some extent true; but there are many parts of the United States, in Maine and other States and in many southern districts, where the condition of the farming population is far from enviable. The Americans flock from these places in thousands to the Western States or the great North-west of Canada.

The following I cut from an editorial in the *Montreal Star* :—

FARMERS AND FREE TRADE.

“The advocates of Commercial Union maintain that free trade with the United States would be of immense benefit to the farmers of Canada. This natur-

ally leads to the enquiry, are the farmers of the United States, as a class, much better off than the farmers of the Dominion, and are their prospects brighter? It is said that a very large proportion of the farmers of Canada are in debt, and that farm lands have, in many places, greatly depreciated in value. There may be too much truth in this, but is the condition of United States farmers in this respect any better? Have they no mortgages on their farms and are they able to pay one hundred cents on the dollar of their indebtedness? This is what is stated in the report of the Washington Department of Agriculture respecting the farmers of New York State: 'On the whole, farmers are more in debt than they were ten years ago. There are a large number of farms which were purchased a few years ago and mortgaged, which now would not sell for more than the face of the mortgages, owing to the depreciation of the farming lands which, on an average, is fully thirty-three per cent. in ten years. Probably one-third of the farms in the state would not sell for more than the cost of the buildings and other improvements owing to this shrinkage.' Now, it must be admitted that the farmers of New York state are in as good a position to benefit by free trade with the fifty millions of citizens of the United States as those of any part of the Dominion can possibly be, and they have enjoyed that advantage for a very long while; yet we see that they have not found it possible to keep out of debt, and in spite of their nearness to the sea and to the greatest home markets of the United States, they have not been able to keep up the value of their land. There is food for reflection in these facts."—*Star*, Friday, June 3, 1887.

And there is one circumstance to be taken into account in considering this question, and that is the natural differences of climate and situation. No Commercial Union is going to abolish the Canadian winter. Our country is northerly and our people are a northern people. In the same way as the north of Scotland is less rich and fertile than the south of England, in the same way as the conditions of life in Norway, Sweden, Denmark and the north of Germany are different from what they are in the south of Germany, Belgium, France and Italy, so the people of the north of North America must submit to the disadvantages as well as enjoy the advantages of their northern position. No trade arrangements that can be made will prevent the suspension of vegetation during the winter season, nor do away with the necessity of some considerable part of our labour, wealth and energy, being devoted to the production or purchase of warm clothing and fuel, from which southern people are exempt. The further south you go, at all events until you reach places where the climate becomes so hot as to be enervating, the greater, no doubt, will be the surplus production in proportion to the amount of labour devoted to it. But nearly every part of the United States that is even in a slight degree superior to our more northerly districts in this respect, has already been settled, and now settlers must choose between the bracing and healthy climate of our Canada and of the Northern

American Western States, and the hot, unhealthy, fever-stricken tracts of the more southerly states. Nor must I omit the advantage that Mr. Wiman himself has pointed out, that our North-west has two hours more sunlight every day than the country to the south. None of these things are going to be changed by Commercial Union or annexation. We are a northern people, but, fellow-Canadians, do we not possess the virtues of northern nations ? I do not think the eulogy Mr. Wiman passes upon our farmers is undeserved. The Canadians, like the Scandinavians, the Norwegians, Swedes, Danes and Scotch, are a hardy, healthly, manly race. They are accustomed to a certain degree of toil and hardship ; but that only makes the better men of them. But there is one of the virtues of our farmers that Mr. Wiman forgets ; one of the characteristics of a northern people is the national love of independence ; and I do not believe Canadians propose to surrender their independence, to sell their birthright, to tear up the roots of the British nationality their fathers founded in this northern land, for the allurements held out by a Canadian who has already abandoned his allegiance to our Sovereign and our Empire. Do not be deluded then, Canadian farmers, into believing that Commercial Union is going to make your soil more fertile, your prosperity greater than it is. All it will do is to sap and undermine the foundations of the great nation, an integral part of the mightiest Empire the world has seen, which you and your fathers have laid. Give up your plan of forming such a nation and you stand disgraced before the world as a people who forgot their noblest destiny and were content to sink into insignificance and self-effacement.

Mr. Goldwin Smith sometimes draws a parallel between the relative positions of Scotland and England and of Canada and the United States. But he fails to point out that Scotland, when independent of England, was not herself part of a great Empire, with the countries of which her trade was greater than with England itself ; Scotland had not control of half a continent, and had no large flourishing trade with the other countries, even of the then accessible world ; she had slight, if any, communication with the states now composing the German Empire, or with the Scandinavian nations, the products of which were also similar to her own, there was little she could send them ; she was much more distant from France than was England itself. While Canada possesses all these advantages, all these means of maintaining an independent attitude as regards her southern neighbour ; Vancouver

is nearer Japan than is San Francisco, Quebec is nearer Liverpool than is New York, Liverpool is more than a thousand miles nearer Yokohama by the Canadian than by the American route ; our shipping, our canal and railway system is complete in itself and capable of preserving our commercial as well as our political independence. Again, during the period of Scotland's, as well as England's, greatest advancement, she has not had free trade with England alone, but open ports to all the other countries of the world. This, then, is the aim Canada should keep in view, if once she can be persuaded to abandon her protective policy. While, if we really believe in protection for our manufacturers, it is required more against manufacturers in the United States than elsewhere, as they are our chief competitors in the articles we manufacture most readily.

The conclusion we come to then seems to be that the advantages that have been pointed out as likely to flow from Commercial Union, are only such as would flow in greater degree from free trade with the rest of our Empire, and in still greater from free trade with the world. If we are to make any exceptions and try to foster trade with any one country in particular, it should rather be with one whose products are dissimilar from our own, which wants to buy what we have to sell, not with one which wants to sell the same things as we ourselves. It is suggested above that it is not the countries that are geographically near, that are commercially complementary to one another, but those that possess advantages for the production of different commodities. Dissimilarity of products is identity of commercial interests ; and it cannot be the will of the Almighty that the people of this continent should shut themselves up together and isolate themselves from the people in the rest of the world. If the United States want to show their goodwill to Canada or to England let them offer free trade with the whole Empire, and then we shall be able to treat with them.

IMPERIAL RECIPROCITY.

The argument contained in the above pages is destined to show that it would be detrimental to our agricultural, shipping, railway, importing and other trade interests to purchase Commercial Union with the United States at the expense of trammelling our trade with other countries, even under the present condition of affairs. And Canada can at the present time look for a slight preference over

foreign countries in the other markets of our Empire, from the mere fact that trade follows the flag. That is to say, where the things offered by Canada and by a foreign country in a British market, are and are known to be, of equal value, and at the same price, we may look for, and in many cases will receive, a preference. I have heard an influential Australian journalist say that if Australians could get the same things from Canada that they can get from the United States, they would take them at the same price, or would even pay a trifle more to get them from a country under the same flag. But I have now to point out to you the possibility of arrangement being made by which we shall have a distinct advantage in the markets of every country in the British Empire. A new economic school has arisen in England, advocating that trade within the Empire should be placed upon more favourable terms than trade with foreign nations, with a possible exception in favour of those nations that are willing to grant reciprocal trade advantages to the whole Empire. In addition to the Fair Trade League which has been interesting public opinion in England for some years, there has been started recently an organization called the British Union, with its headquarters at Manchester, with the avowed object of bringing about a readjustment of the tariff in the mother country so as to impose duties upon imports from foreign countries, leaving the markets open to the colonies; expecting that in return the colonies will, while retaining the right to control their own tariffs, make a concession in favour of the other countries in the Empire as compared with foreign nations. The London, Sheffield and Glasgow Chambers of Commerce have pronounced in favour of the policy, and possibly some others that I have not heard of. The organ of the milling interests, *The Miller*, has declared in its favour, the whole agricultural interest, landowner, tenant and agricultural labourer, is directly interested in its adoption, in order that, to some extent at least, the competition of foreign nations in breadstuffs and all other farm produce may be diminished. Lord Salisbury considers that such a policy would give England a lever to negotiate better with foreign nations upon commercial matters, and has written that he would not consider such a policy "Protection." Lord Carnarvon, the framer of our Confederation Act, has expressed himself as convinced that England will be forced to adopt such a measure if she is to retain her commercial supremacy. The signs of the times are every day becoming more and more marked that such a

policy will very soon be forced upon the attention of the rulers of the country. England is becoming more and more democratic ; every democratic nation besides her has adopted a protective policy ; and it has been only by bribing the working people with exemption from the income tax, that they have been prevented from resorting long ago to retaliatory measures against the protective duties of foreign and even of colonial countries.

During a recent visit to England I came in contact with a large number of the most prominent and promising young political leaders, Conservatives, Liberal-Unionists, Gladstonian-Liberals and Radicals, some of the ablest and most farseeing young men of all shades of politics, men who have given careful attention to the study of the political problems that have to be worked out by the coming generation, but who are free from the blind historical reverence for the great free trade movement of 1846 ; and I found a general disposition among them to give favourable consideration to some such policy as this : the imposition of a uniform imperial duty on imports from every foreign nation into every country of the Empire, to be levied on manufactures, on articles of food, including breadstuffs, and on such raw materials of manufactures as can easily be produced in sufficient quantities within the Empire ; this uniform imperial duty to be independent of existing tariffs, each country to continue in other respects to have free trade or protection as it chose, and to regulate its tariff as it saw fit, subject only to this restriction : that no lower rate of duty should be charged on imports from any foreign nation than on the same articles imported from every part of the British Empire.

An interesting paper, containing the germ of this proposal, was read by Mr. Thomas Macfarlane, F.R.S.C., at Montreal, and has been published, under the title "A United Empire." It is, as I understand it, the policy contemplated by the resolution in favour of considering Imperial Reciprocity, adopted by the committee of the Imperial Federation League in Canada.

Such an arrangement has been styled by Sir Charles Tupper a lower tariff within the family, and a higher tariff on foreign nations. It would be no breach of the most favoured nation principle, as that does not interfere with the internal fiscal arrangements of any countries that are united for purposes of foreign policy, as all the countries of the British Empire are. The realization of this would

bring about a species of Zollverein or Commercial Union of the British Empire, embracing many countries whose products are essentially dissimilar. This would give Canada distinct and substantial preference in the market of the Mother Country, whose import of articles which Canada can produce is \$690,000,000 a year, and in the markets of all the countries belonging to the greatest trading people in the world. Surely, such a union would be infinitely more valuable than Commercial Union with the United States. It would induce millions to settle in our great wheat-growing districts of the North-West, and would open up the largest and best trade we could ever hope for. Such a policy may be adopted soon, to the advantage of every country in our Empire. A Commercial Union with the United States would cripple Canada and prevent her taking advantage of it.

There is only one circumstance to be borne in mind in connexion with this, and it is that if the United Kingdom makes such a radical change in her commercial policy as this, if she even temporarily abandons absolute free trade in the interest of her colonies, it will only be as part of a general scheme for re-organizing the relations between the different countries of the Empire, it will only be upon the colonies entering into a partnership with the Mother Country for the perpetual management in common of all the foreign affairs of the Empire, every part receiving a recognized voice in the control of Imperial affairs, and agreeing to contribute a fair and proper share towards the maintenance of Imperial defence. By this I do not mean the participation by Canada in Asiatic and African wars, in which her interest will be very remote. If such wars arise, though the whole Empire would certainly present an unbroken front to the enemy, the cost would be assessed chiefly upon those parts of the Empire directly interested in them, in the same way as local improvements in a town are assessed upon the special localities benefited by them. What I mean we should contribute to is the maintenance of the army and navy upon a peace footing, after we had been consulted as to the extent of such forces required. Nor need our contribution be upon the basis of our population. The United States constitution lays it down that all direct taxes shall be uniform and in proportion to the numbers of the people, and that all indirect taxes shall be uniform; so that under annexation we should have to contribute according to population to the maintenance of their army and navy.

But the British constitution contains no such cast iron rule ; at present we pay nothing directly ; upon forming a partnership with the United Kingdom and the other self-governing countries of the Empire, we should contribute something, but it would be what was fair, considering our capital, realized resources, and the risk to which we would expose the Empire. And I have little doubt that the whole of our contribution could easily be paid out of that portion of the uniform Imperial duty collected in this country. The control of the Imperial forces would include the task of fixing the effective strength and disposition of the army and navy and the diplomatic corps, their reduction if, in view of a contemplated peaceful policy, their present numbers were deemed to involve an excessive charge ; the method of apportionment of expenses incurred for wars or expeditions in which we were not concerned, and the right to invoke the aid of the whole of the Imperial forces for the protection of our just national rights. We cannot shut our eyes to the importance of these questions. We must be in a position to defend our fisheries, our railways and our shipping. The first of these we have recently come to see to be a matter of the utmost moment, both in the Atlantic and the Pacific ; the freedom of our railways to regulate their tariff in competition with American lines has been called in question, and the interests of our shipping extend to every quarter of the world. Our ships trade with every British and foreign country, sail under the British flag and claim the services of British consuls in any port throughout the trading world. These consuls must be appointed by, and responsible to, an authority that we can directly influence. In a word, we must have a direct and constitutional voice in moulding the foreign policy of the Empire. We can have that by a partnership for foreign affairs. In such a partnership we could exert our influence to prevent useless wars, which waste the energies and resources of the people for the maintenance of large armies and navies ; to turn the attention of Imperial authorities from the complications of European politics, and concentrate them upon opening up new channels for profitable trade and upon the transference of population from the thickly settled districts of the Mother Country to the fertile plains of our own and other Colonial territories.

The authority to direct such movements of population upon a comprehensive scale can only be vested in a strictly imperial body, containing representatives from every part of the Empire, and which

shall be altogether free from concern with the local affairs of either the Mother Country or of any country in the Empire. For all these and other purposes, a reorganization of the Empire must take place, and when it does, a Commercial Zollverein or Imperial Reciprocity must form a most important part. And it cannot be long delayed. Canada, at least, has almost attained national manhood, and must be prepared to accept the responsibilities, exercise the rights and assume the obligations attaching to that position. We are offered an advantageous partnership upon equal and honourable terms with all the self-governing countries of the Empire. The offer is made by many distinguished statesmen, and will soon be ratified by the voice of the people in the Mother Country, Australasia and the Cape of Good Hope. Will it not be the best use we can make of our new dignity to accept such an offer and enter upon this partnership for the perpetuation of the great and noble Empire that has been founded by our fathers, and that now exists under the flag we love, and under the Sovereign whose jubilee we celebrate this year.

MONTREAL, 10th June, 1887.

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